

Why Social Security Is a Better Deal than Privatization for Women and Their Families (rev. 2005)

Social Security faces a long-term challenge, but it is *not* broken. It can pay promised benefits *in full* for 40 to 50 years with *no* changes, and after that, cover 70 to 80 percent of promised benefits with payroll taxes, according to estimates by the Social Security Trustees and the Congressional Budget Office. We must and we can address that long-term shortfall with adjustments that strengthen Social Security and its uniquely valuable features. Diverting revenue out of Social Security and into private accounts would increase the size of the shortfall, require deep cuts in guaranteed benefits, and jeopardize the financial security of generations of women and their families.

Social Security	Private Accounts
<p><i>Retirement benefits for as long as you live</i> This guarantee of lifetime income for retired workers and their survivors is especially important for women who tend to live longer, spend more years alone, and have less assets than men.</p>	<p><i>Risk of outliving your account balance</i> Lifetime savings can be drained by a long life, health costs, bad luck or misjudgment. Converting an account to an annuity consumes 15-20% of its value (women may pay more) and lifetime income will depend on how the market is doing when the annuity is purchased.</p>
<p><i>Guaranteed, predictable retirement benefits</i> Social Security's defined benefit doesn't fluctuate with the stock market and provides the foundation of women's retirement security. This will be even more important in the future as employers move away from traditional pensions to 401(k)s.</p>	<p><i>Risk that returns may go up -- or down</i> Everyone should try to save for retirement. But investing has risks; some market downturns last for years. Investment fees cut deeply into returns: a fee of 1%/year would consume 20% of an account over 40 years.</p>
<p><i>Annual cost-of-living adjustments</i> Social Security's protections against inflation are especially important to women because they live longer than men.</p>	<p><i>Inflation erodes purchasing power</i> Almost no private annuities offer COLAs. Inflation of 2.5%/year would cut the value of a 65-year-old's annuity payment by 40% by the time she's 85.</p>
<p><i>Progressive benefit formula</i> Social Security provides a higher percentage of pre-retirement income for women who have worked for low wages and taken time out for caregiving.</p>	<p><i>Those who have less, get less</i> Private accounts depend on how much an individual can put in and returns, minus administrative costs that could eat up more of small accounts. Private accounts can't compensate for women's lower lifetime earnings.</p>
<p><i>Disability and survivor benefits for families</i> Equivalent to a \$400,000 life and \$350,000 disability policy for an average wage earner and family, these benefits are especially important to minorities because of their higher rates of premature death and disability.</p>	<p><i>No assurances of family insurance benefits</i> The leading privatization plan would cut benefits not just for retired workers, but for disabled workers and their families, widows, orphans and other children. Accounts can add little when working lives are cut short.</p>
<p><i>Automatic, supplementary spousal benefits</i> Over half of all women who receive Social Security but just 3% of men receive benefits as a family member. Divorced spouses and divorced widows married 10 years receive benefits automatically, without reducing benefits for the worker or next spouse.</p>	<p><i>Spousal protections unclear</i> Would workers be able to spend all of their account or leave whatever was left to someone other than the spouse? At divorce, spouses would have to struggle over the division of limited account assets; women's experience with the division of other pension assets suggests many will not receive an equitable share.</p>